

CHAPTER NO. 631

HOUSE BILL NO. 2316

By Representatives Kisber, Head, McDaniel, Ronnie Cole, Rinks, Armstrong, Hargrove, Williams, Lois DeBerry, Bowers, Brenda Turner, Stulce, Walker

Substituted for: Senate Bill No. 2565

By Senators Cooper, Cohen

AN ACT to amend Tennessee Code Annotated, Title 67, Chapter 6, relative to collection and administration of sales and use taxes on items sold through electronic commerce and to enact the "Streamlined Sales Tax System for the Twenty First Century Act".

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. This act may be cited as the "Streamlined Sales Tax System for the Twenty First Century Act".

SECTION 2. The General Assembly finds that:

(1) State and local tax systems should treat transactions in a competitively neutral manner.

(2) A simplified sales and use tax system that treats all transactions in a competitively neutral manner will strengthen and preserve the sales and use tax as vital state and local revenue sources and preserve state fiscal sovereignty.

(3) Remote sellers should not receive preferential tax treatment at the expense of local "main street" merchants, nor should such vendors be burdened with special, discriminatory or multiple taxes.

(4) The state should simplify sales and use taxes to reduce the administrative burden of collection.

(5) While states have the sovereign right to set their own tax policies, states working together have the opportunity to develop a more simple, uniform, and fair system of state sales and use taxation without federal government mandates or interference.

(6) The national governor's association, the national conference of state legislatures, the council of state governments, the national league of cities, the national association of counties and other organizations representing state and local governments encourage discussions among the states to streamline and modernize the sales and use tax system.

SECTION 3. The Commissioner of Revenue shall enter into discussions with states to develop a multi-state, voluntary, streamlined system for sales and use tax collection and administration. These discussions shall focus on a system that would have the capability to determine whether the transaction is taxable or tax exempt, the appropriate tax rate applied to the transaction, and the total tax due on the transaction, and shall provide a method for collecting and remitting sales and use taxes to the state. Such system may provide compensation for the costs of collecting and remitting sales

and use taxes. Discussions between the commissioner and other states may include, but are not limited to:

- (1) the development of a "Joint Request for Information" from potential public and private parties governing the specifications for such system;
- (2) the mechanism for compensating parties for the development and operation of such system;
- (3) establishment of minimum statutory simplification measures necessary for state participation in such system; and
- (4) measures to preserve confidentiality of taxpayer information and privacy rights of consumers.

Following these discussions, the commissioner may proceed to issue a Joint Request for Information.

SECTION 4. (a) The Commissioner of Revenue is authorized to participate in a sales tax pilot project with other states and selected businesses to test means for simplifying sales and use tax administration and may enter into joint agreements for that purpose.

(b) Agreements to participate in the test shall establish provisions for the administration, imposition and collection of sales and use taxes resulting in revenues paid that are substantially the same as would be paid under existing law.

(c) Parties to the agreements are excused from complying with the provisions of Tennessee Code Annotated, Title 67, to the extent a different procedure is required by the agreements, except for confidentiality of taxpayer information as detailed in Section 5 of this act.

(d) Agreements authorized under this section shall terminate no later than December 31, 2001.

SECTION 5. Return information submitted to any party or parties acting for and on behalf of the state shall be treated as confidential taxpayer information. Disclosure of confidential taxpayer information necessary under Sections 3 and 4 of this act shall be pursuant to a written agreement between the Commissioner of Revenue and the party or parties. Such party or parties shall be bound by the same requirements of confidentiality as the Department of Revenue.

SECTION 6. The Joint Select Committee on business taxes shall provide oversight of the pilot project. The commissioner shall provide testimony and information as requested by the committee. The Commissioner of Revenue shall provide quarterly reports to the Speaker of the House, Minority Leader of the House, the Speaker of the Senate, Senate Minority Leader and to the members of the Joint Select Committee on Business Taxes on the progress of multi-state discussions.

SECTION 7. By March 1, 2001, the Commissioner of Revenue shall report to the Governor and to the Speaker of the House, House Minority Leader, the Speaker of the Senate and Senate Minority Leader and to the members of the Joint Select Committee on Business Taxes on the status of multi-state discussions and, if a proposed system has been agreed upon by participating states, shall also recommend whether the state should participate in such system.


SECTION 8. This act shall take effect upon becoming a law, the public welfare requiring it.

PASSED: March 27, 2000


JIMMY NAIFEH, SPEAKER
HOUSE OF REPRESENTATIVES


JOHN S. WILDER
SPEAKER OF THE SENATE

APPROVED this 5th day of April 2000


DON SUNDQUIST, GOVERNOR